

**BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)**

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
AND LIMITED REVIEW REPORT

**BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016**

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LIMITED REVIEW REPORT

August 21, 2016

To the Unit Holders of BMK Saudi Equity Fund:

Scope of review

We have reviewed the accompanying interim balance sheet of BMK Saudi Equity Fund (the "Fund") as of June 30, 2016 and the interim statements of operations, cash flows and changes in net assets for the six-month period then ended, and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Fund's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be "Bader I. Benmohareb", written over a horizontal line.

By: _____
Bader I. Benmohareb
License Number 471

BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)
Interim balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	June 30, 2016	December 31, 2015	June 30, 2015
Note	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Assets			
Current assets			
Cash at bank	25,333,157	43,406,177	27,745,355
Held-for-trading investments	4 58,674,065	-	166,353
Accrued dividend income	-	-	305,115
Prepayments and other receivable	2,514	-	2,520
Total assets	84,009,736	43,406,177	28,219,343
Liabilities			
Current liabilities			
Management, custodian and subscription fees payable	5 880,133	188,266	241,546
Accrued and other liabilities	33,582	19,500	35,256
Total liabilities	913,715	207,766	276,802
Net assets value	83,096,021	43,198,411	27,942,541
Units in issue (Unit)	7,557,296	3,730,343	2,376,417
Per unit value (Saudi Riyals)	11.00	11.58	11.76

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)
Interim statement of operations
For the six-month period ended June 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

		<u>2016</u>	<u>2015</u>
	Note	(Unaudited)	(Unaudited)
Investment (loss) / income			
Net realized (losses) / gains on held-for-trading investments	4	(63,922)	2,499,101
Net unrealized (losses) / gains on held-for-trading investments	4	(2,062,868)	15,110
Dividend income		59,486	2,810
		<hr/>	<hr/>
Total investment (loss) / income		(2,067,304)	2,517,021
Expenses			
Subscription fees in other funds	5	(183,330)	-
Management fees	5	(420,671)	(491,824)
Custodian fees	5	(60,096)	(70,260)
Professional fees		(16,410)	(13,636)
Brokerage commission		(56,941)	(1,957)
Other		(16,783)	(18,215)
		<hr/>	<hr/>
Total expenses		(724,231)	(595,892)
		<hr/>	<hr/>
Net (loss) / income for the period		(2,821,535)	1,921,129

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)
Interim statement of cash flows
For the six-month period ended June 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from operating activities		
Net (loss) / income for the period	(2,821,535)	1,921,129
<u>Adjustments for non-cash item</u>		
Unrealized losses / (gains) on held-for-trading investments	2,062,868	(15,110)
<u>Changes in operating assets and liabilities</u>		
Held-for-trading investments	(60,736,933)	-
Prepayments and other receivable	(2,514)	(2,520)
Management, custodian and subscription fees payable	691,867	(194,493)
Accrued and other liabilities	14,082	13,725
Net cash (used in) / generated from operating activities	(60,792,165)	1,722,731
 Cash flows from financing activities		
Proceeds from units issued	56,029,860	-
Payments on units redeemed	(13,310,715)	(39,372,603)
Net cash generated from / (used in) financing activities	42,719,145	(39,372,603)
 Net decrease in cash at bank	(18,073,020)	(37,649,872)
Cash at bank at beginning of period	43,406,177	65,395,227
 Cash at bank at end of period	25,333,157	27,745,355

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)
Interim statement of changes in net assets
For the six-month period ended June 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net assets at beginning of period	43,198,411	65,394,015
Proceeds from units issued during the period	56,029,860	-
Payments on units redeemed during the period	(13,310,715)	(39,372,603)
Net (loss) / income for the period	(2,821,535)	1,921,129
Net assets at end of period	83,096,021	27,942,541
Net assets per unit at end of period	11.00	11.76

Unit transactions

The transactions in units are summarized as follows:

Units at beginning of period	3,730,343	5,715,476
Add: Units issued	5,024,692	-
Less: Units redeemed	(1,197,739)	(3,339,059)
Net increase / (decrease) in units	3,826,953	(3,339,059)
Units at end of period	7,557,296	2,376,417

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)
Notes to the interim financial statements (Unaudited)
For the six-month period ended June 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

BMK Saudi Equity Fund (the "Fund") is an open-ended investment fund established under an agreement between Bait Al Mal Al Khaleeji Company (the "Manager") and investors in the Fund (the "Unit Holders"). The Fund is governed by the terms and conditions of its prospectus and aims at capital growth mainly through investments in the equity securities of the Saudi companies during the period of initial public offering, and issue rights of listed companies in the Saudi Stock Exchange "Tadawul". The Fund distributes dividends to the Unit Holders on annual basis. The Fund's net income after distribution of dividends is to be reinvested in the Fund, which affects the value and price per unit. The registered address of the Manager is Bait Al Mal Al Khaleeji Company, P.O. Box 9177, Dammam 31413, Kingdom of Saudi Arabia.

In dealing with the Unit Holders, the Manager considers the Fund as an independent unit. Accordingly, the Manager prepares separate financial statements for the Fund. The Fund's books and records are also administered by the Manager. Furthermore, the Unit Holders are considered owners of the assets of the Fund and any income distribution is made in relation to their respective ownership share to the total number of units.

The Saudi Capital Market Authority ("CMA") approved the Fund on 4 Jumada Al-Awwal 1435 H (March 5, 2014). The Fund commenced its operations on May 4, 2014.

The accompanying interim financial statements were approved by the Fund's Manager on August 21, 2016.

2 Regulating authority

The Fund is governed by the Investment Fund Regulations published by CMA detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all periods presented.

3.1 Basis of preparation

These interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting, except for the measurement of held-for-trading investments at fair value, and in compliance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Fund for preparing such interim financial statements are consistent with the accounting policies described in the 2015 audited financial statements of the Fund.

These interim financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Fund's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the operations for the six-month period ended June 30, 2015 may not represent a proper indication for the annual results of operations. These interim financial statements and notes should be read in conjunction with the audited financial statements and the related notes for the year ended December 31, 2015.

3.2 Critical accounting estimates and judgments

The preparation of interim financial statements in conformity with generally accepted accounting standards requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

BMK SAUDI EQUITY FUND
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Notes to the interim financial statements (Unaudited)
For the six-month period ended June 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

3.3 Foreign currency translations

(a) Reporting and functional currency

These interim financial statements are presented in Saudi Riyals which is the reporting and functional currency of the Fund.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations. The amounts of foreign exchange gains and losses were not significant for the six-month periods ended June 30, 2016 and 2015.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash at bank, and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

3.5 Held-for-trading investments

Held-for-trading investments are initially recognized at cost. After initial recognition, investments in equities are valued at fair value at the balance sheet date. Changes in fair values, comprising of realized and unrealized gains and losses, are included in the statement of operations. Investments in mutual funds, if any, are valued at the net assets value of the units in issue at the balance sheet date.

3.6 Liabilities

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Fund.

3.7 Revenues

Dividend income is recognized when the Fund's right to receive payment is established. Realized gains and losses on investments sold are determined based on the weighted average cost basis. Results arising from trading activities include all gains and losses from changes in fair value of held-for-trading investments.

3.8 Expenses

Expenses are calculated and recognized as a period costs in the period in which incurred.

3.9 Zakat and income tax

Under certain provisions of the Saudi income tax law, the income and gains of investment funds are subject to income tax at the applicable rates. The provisions of the Saudi income tax law relating to investment funds have not been enforced pending clarifications from the Department of Zakat and Income Tax ("DZIT") and the CMA. As the regulations have not been enforced yet, no provision has been made in these interim financial statements.

3.10 Trade date accounting

All purchases and sales of investments are recognized on the trade date, which is the date the Fund commits to purchase or sell the asset.

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Notes to the interim financial statements (Unaudited)
For the six-month period ended June 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

4 Held-for-trading investments

All of the Fund's investments are in Saudi publicly listed companies that are listed on the Saudi Stock Exchange and units in Saudi investment funds. Movement in held-for-trading investments is as follows:

	Six-month period ended June 30,	
	2016	2015
	(Unaudited)	(Unaudited)
Balance, beginning of period / year	-	151,243
Purchases	82,286,205	4,023,600
Disposals	(21,485,350)	(6,522,701)
Changes in fair value, net	(2,126,790)	2,514,211
Balance, end of period / year	58,674,065	166,353

The composition of the investment portfolio by economic sector and investment in a mutual fund at June 30, 2016 and June 30, 2015 are summarized below:

	June 30, 2016	June 30, 2015
	(Unaudited)	(Unaudited)
Investment Fund	6,107,470	-
Bank and Financial Services	50,524,439	166,353
Retail	1,940,278	-
Buildings and Construction	52,312	-
Cement	49,566	-
	58,674,065	166,353

Summary of held-for-trading investments is as follows:

June 30, 2016 (Unaudited)

Name of company	Number of shares	Fair value
Investment Fund		
BMK IPO Fund	407,100	6,107,470
Bank and Financial Services		
Riyad Bank	576,020	6,301,659
Bank AlJazira	497,340	6,390,819
The Saudi Investment Bank	484,413	6,166,577
Banque Saudi Fransi	270,932	6,082,423
The Saudi British Bank	300,341	6,102,929
Arab National Bank	292,514	5,660,146
Samba Financial Group	301,194	6,038,940
Bank Albilad	163,724	2,966,679
National Commercial Bank	120,447	4,814,267
Retail		
Lazurde Company for Jewelry	51,796	1,940,278
Buildings and Construction		
Saudi Ceramic Company	1,300	52,312
Cement		
Eastern Province Cement Company	1,650	49,566
		58,674,065

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(All amounts in Saudi Riyals unless otherwise stated)

June 30, 2015 (Unaudited)

Name of company	Number of shares	Fair value
Bank and Financial Services		
Samba Financial Group	5,000	130,300
Banque Saudi Fransi	1,000	32,140
Saudi Investment Bank	172	3,913
		166,353

5 Related party matters

The Fund pays management fees at the rate of 1.75% per annum for the six-month period ended June 30, 2016 (2015: 1.75% per annum) and custodian fees at the rate of 0.25% per annum for the six-month period ended June 30, 2016 (2015: 0.25% per annum), calculated on the Fund's net asset value at each valuation day. Also, the Manager recovers from the Fund any other expenses incurred on behalf of the Fund.

In the normal course of business, the Manager and its employees hold units in the Fund.

During the six-month period ended June 30, 2016, the Fund paid subscription fees amounting to Saudi Riyals 183,330 (2015: Nil) to purchase 407,100 (2015: Nil) units in BMK IPO Fund for Saudi Riyals 6.1 million (2015: Nil). Also see Note 4.

6 Last valuation day

The Fund's units are valued on a bi-weekly basis on every Monday and Wednesday (the "valuation day"). The value of the Fund's units is announced on the day following the valuation day (the "announcement day").

The last valuation day of the six-month period ended June 30, 2016 was June 30, 2016 (2015: June 30, 2015).